



Metropolitan Area Planning Council

60 Temple Place, Boston, Massachusetts 02111 617/451-2770 Fax 617/482-7185

Serving 101 cities and towns in metropolitan Boston

December 7, 2005

Dear Board of Selectmen:

I am writing to you to draw attention to House Bill 2408, *An Act Relative to the Taxation of Telecommunications Companies*, which would close a loophole in telecommunications company taxation and increase tax revenues to many cities and towns.

Deregulation and new technologies have transformed the telecommunications industry into a technologically advanced, multi-billion-dollar enterprise. However, obsolete property tax laws are enabling telecommunications companies to avoid their fair share of local taxation. H. 2408 would eliminate some new and long-standing telecommunications tax loopholes, and help shift the tax burden away from homeowners and other businesses by bringing an estimated \$140 million into the state. We urge you to support H. 2408 to deliver revenue that your community sorely needs and rightfully deserve.

For your convenience, we have included a model resolution for your community to pass in support of H. 2408, and deliver to your Senator and Representative. In addition, if I may be of further assistance, please contact me at 617-451-2770 ext. 5005.

Sincerely,

Marc D. Draisen
Executive Director

Enclosures



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House Bill 2408: Telecommunications Property Tax Fact Sheet

I. Background

Laws providing for the taxation of telecommunications were enacted in the 1920s, excluding much of the property owned by telecommunications companies from tax liability. Since then, deregulation and new technologies have transformed the industry into a technologically advanced, multi-billion-dollar enterprise, yet these companies remain advantaged by archaic tax law. In addition, multi-faceted corporations are taking advantage of the loopholes through classification as telecommunications companies.

Recently, there has been a decline in telecommunications assessments and taxes, which shifts more of the tax burden on homeowners and other businesses. For example, 60% of Verizon's property is exempt and \$2.5 billion is removed from municipal tax bases, yet Verizon enjoys the same municipal and state-sponsored services as property tax-paying home and business owners. In 2004 – 2005 alone, there was a \$1.31 billion (or 37%) decline in telecommunications assessments and a \$31 million reduction in taxes paid by these companies. Municipalities need to make up the difference somehow, which results in higher residential and commercial property taxes.

II. Legislation

Representatives Anthony Petrucci, Martin Walsh, Elizabeth Malia, and Martha Walz, in conjunction with Boston Mayor Thomas Menino, have filed legislation to close the loophole that exempts telephone poles and wires. The legislation removes the exemption for poles, underground conduits, wires, and pipes of telecommunications companies laid in or erected on public or private lands, and clarifies the definition of a "telecommunication company." This change would result in a shift of an estimated \$140 million in revenue from residential and other business owners for cities and towns.

III. Effect on Your Community

Attached to this fact sheet is a Telecommunications Legislation Community Worksheet prepared by the Massachusetts Municipal Association. This worksheet shows the estimated effect House Bill 2408 would have on your community. Please focus your attention on the bottom line of this worksheet, which shows the difference in assessed value of telecommunications property were this legislation passed, and the consequent new taxes paid by telecommunications companies.

MMA Telecommunications Legislation Community Worksheet

ACTON

	Value	Rate	Tax
FY05 Actual	13,531,300	13.81	186,867
FY05 At FY04 Value	18,196,700	13.79	250,966
Change	(4,665,400)	0.02	(64,099)
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FY05 With Full Bill Impact	45,491,750	13.69	622,623
Change vs. FY05 Actual	(31,960,450)	0.12	(435,756)

Explanation

FY05 Actual

Shows the actual FY05 value, tax rate and tax for telecommunications personal property.

FY05 at FY04 Value

Shows the FY04 value for telecommunications personal property, the recalculated FY05 tax rate (which factors in that FY04 value) and the corresponding tax. This illustrates the impact of many telecommunications firms exploiting loopholes to avoid the consequences of the RCN court decision.

FY05 With Full Bill Impact

Shows figures that recognize all telecommunications personal property as taxable. The value under "FY05 at FY04 Value" is multiplied by 2.5, a factor which represents the ratio of Verizon's total personal property to its taxable personal property.

**Resolution of the Town of >>INSERT NAME <<
>>DATE <<**

Whereas, the Town of >>insert name << and all cities and towns in Massachusetts rely heavily on the property tax to fund police and fire services, schools, road maintenance and other vital local government services, and;

Whereas, deep local aid cuts since fiscal 2002 have forced greater reliance on the property tax to fund local services and have increased the burden on homeowners and other local taxpayers, and;

Whereas, exemption of real and personal property from the local tax base reduces local revenues and increases the burden on other local taxpayers, and;

Whereas, telecommunications companies are taking advantage of obsolete provisions in property tax law to avoid paying local property taxes increasing the burden on homeowners and other businesses;

Now, Therefore, Be It Resolved, that the Town of >>insert name << supports House Bill 2408, *An Act Relative to the Taxation of Telecommunications Companies* that would close the telecommunications property tax loophole and eliminate the unfair exemption in out-dated property tax statutes.

Town of >>insert name <<
>>add signatures <<